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REP 019

ISL 2QFY26 Result Review: Jump in profit from associate bolsters bottom-line

AKD Securities Limited

International Steel Ltd (ISL) announced financial results earlier today, posting earnings of PkR995mn (EPS: PkR2.3) for 2QFY26, up 2.8x YoY, arriving above our expectations due to higher net revenues and share of profit from associates. Additionally, company also announced a cash dividend of PkR2.0/sh for 1HFY26, compared to no payout in SPLY.

- Net revenue clocked in at PkR23.0bn, up 26%YoY/10%QoQ, led by healthy domestic volume growth alongside a rebound in export sales against SPLY. Notably, the imposition of a 40.47% anti-dumping duty on galvalume imports, which was previously routed into the market under the guise of HDGC, has materially improved volumes of formal players. Furthermore, levy of 10% GST on producers in the FATA/PATA regions further supported volume normalization.
- Gross margins improved to 10.0% during the quarter from 8.1% in SPLY, primarily on the back of wider CRC-HRC spread of US$79/ton (vs. US$55/ton in SPLY).
- Another major deviation emerged from Share of Profit from Associates, which surged to PkR411mn during the quarter vs. nil in SPLY. We attribute this to Chinoy Engineering and Construction Ltd (CECL), which is engaged in the development of accommodation camps for the Reko Diq Mining Project (RMDC). ISL invested PkR48.5mn for a 17% equity stake in the venture in Jul'24.
- Finance cost amounted to PkR347mn, up 54%YoY/27%QoQ, primarily due to higher avg. outstanding debt during the quarter.
- We reiterate our 'BUY' stance on International Steel Ltd (ISL), with a Dec'26 target price of PkR151/sh. Our stance is supported by recovery in autos, white good sales and construction activity, alongside declining policy rate.

ISL: Income Statement

PkRmn	2QFY26	2QFY25	YoY	1QFY26	QoQ	1HFY26	1HFY25	YoY
Sales	23,026	18,313	26%	20,919	10%	43,945	31,803	38%
Gross profit	2,305	1,475	56%	2,353	-2%	4,658	2,380	96%
Opex	680	559	22%	932	-27%	1,612	1,058	52%
Other income	35	-22	-257%	18	97%	52	128	-59%
Finance cost	347	226	54%	274	27%	622	530	17%
Share of Profit	411	0	-	0	-	411	0	-
Taxation	504	261	93%	364	39%	867	293	196%
Net income	995	355	180%	620	60%	1,615	534	202%
EPS (PkR)	2.3	0.8		1.4		3.7	1.2	
DPS (PkR)	2.0	-		-		2.0	-	

Source: PSX & AKD Research

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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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